

Open-End Net Fund Flows (\$)	11/20	10/20	YTD (Nov)
Equity	-36.32B	-86.10	-568.52B
Taxable Bond	36.93B	39.23B	153.32B
Municipal Bond	5.93B	5.73B	29.65B
Hybrid	-3.01B	-7.99B	-79.96B
Taxable Money Market	-8.01B	-46.14B	732.42B

Key Interest Rates	12/31/20	6/30/20	12/31/19
Federal Funds Target Rate	0.25%	0.25%	1.75%
ICE LIBOR (3-Month)	0.24%	0.30%	1.91%
2-Year T-Note	0.12%	0.15%	1.57%
10-Year T-Note	0.92%	0.66%	1.92%
Bond Buyer 40	3.46%	3.63%	3.63%

Commodities/U.S. Dollar	12/20	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.10%	-6.69%	-6.69%
Refinitiv/CC CRB Excess Ret.	4.84%	-9.68%	-9.68%
Crude Oil/WTI (per Barrel)	7.01%	-20.54%	-20.54%
Natural Gas (per million BTUs)	-11.81%	15.98%	15.98%
Gold Bullion (Ounce)	6.72%	24.42%	24.42%

Total Return Performance

U.S. Stock Indices	12/20	YTD	12 Mo.
S&P 500	3.84%	18.39%	18.39%
DJIA	3.41%	9.72%	9.72%
NASDAQ 100	5.11%	48.88%	48.88%
S&P MidCap 400	6.51%	13.65%	13.65%
Russell 2000	8.65%	19.93%	19.93%
Russell 3000	4.50%	20.88%	20.88%

U.S. Styles/Market Caps	12/20	YTD	12 Mo.
S&P 500 Growth	4.08%	33.46%	33.46%
S&P 500 Value	3.49%	1.35%	1.35%
S&P MidCap 400 Growth	6.40%	22.77%	22.77%
S&P MidCap 400 Value	6.64%	3.71%	3.71%
Russell 2000 Growth	9.34%	34.61%	34.61%
Russell 2000 Value	7.92%	4.60%	4.60%

Foreign Stock Indices (USD)	12/20	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	4.55%	7.59%	7.59%
MSCI Emerging Markets NET	7.35%	18.31%	18.31%
MSCI Europe NET	4.71%	5.38%	5.38%
MSCI BRIC NET	5.22%	17.65%	17.65%
MSCI EM Latin America NET	11.90%	-13.80%	-13.80%
Nikkei 225	4.98%	24.70%	24.70%

Bloomberg Barclays Bond Ind.	12/20	YTD	12 Mo.
U.S. Treasury: Intermediate	0.03%	5.77%	5.77%
GNMA 30 Year	0.18%	3.68%	3.68%
Municipal Bond (22+)	0.92%	6.25%	6.25%
U.S. Aggregate	0.14%	7.51%	7.51%
Intermediate Corporate	0.52%	7.47%	7.47%
U.S. Corporate High Yield	1.88%	7.11%	7.11%
Global Aggregate	1.34%	9.20%	9.20%
EM Hard Currency Aggregate	1.75%	7.11%	7.11%

Sources: Bloomberg, Bloomberg Barclays, Investment Company Institute

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Climate

While 2020 may be over, the COVID-19 pandemic is not. The quick approval of two new vaccines by the Food and Drug Administration (FDA) has lifted the spirits of Americans and investors, but the initial rollout of the vaccines has been much slower than expected. The federal government's "Operation Warp Speed" initiative called for 20 million vaccinations to be performed in the U.S. by the end of 2020, but it came in at a little more than three million, according to Axios. On 1/2/21, the U.S. recorded its highest number of coronavirus cases ever for a single day (277,000), according to Medical Xpress. With infections surging, top U.S. government scientist Anthony Fauci warned just days after Christmas that the worst may be yet to come. These latest statistics suggest that clearing the COVID-19 hurdle may extend a bit further into 2021 than initially thought. Remember, these two vaccines, and any others that may gain approval, are likely the best chance we have for fully reopening the U.S. economy. Until we receive some guidance on when that day will come, perhaps the biggest challenge for most equity investors could be whether to reposition some of their capital to potentially exploit a post COVID-19 world or stay the course, in our opinion.

Stock Market

The S&P 500 Index ("index") closed at 3,756.07 on 12/31/20, another all-time high, according to Bloomberg. The S&P 500 Index posted a total return of 3.84% in December. All 11 major sectors that comprise the index were up on a total return basis. The top-performer was Financials, up 6.25%, while the worst showing came from Utilities, up 0.70%. For 2020, the S&P 500 Index posted a total return of 18.39%. Eight of the 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 43.89%, while the worst showing came from Energy, down 33.68%. A Bloomberg survey of 17 equity strategists found that their average 2021 year-end price target for the S&P 500 Index was 4,035 as of 12/12/20, according to its own release. The highest and lowest estimates were 4,400 and 3,800, respectively. Brian Wesbury, Chief Economist at First Trust Advisors L.P., has a year-end price target of 4,200. S&P 500 Index earnings look encouraging beyond 2020. As of 12/18/20, Bloomberg's consensus year-over-year earnings growth rate estimates for the index for 2021 and 2022 stood at 22.19% and 16.89%, respectively, a healthy rebound from its -15.96% projection for 2020. One of the things that equity investors may want to consider heading into 2021 is the strong close to the market in 2020. The S&P 500 Index posted a total return of 12.15% in Q4'20, according to Bloomberg. Keep in mind, from 1926 through 2019 (94 years), the index posted an average annual total return of 10.20%, according to Morningstar/Ibbotson Associates. Setting realistic performance expectations is never a bad idea, in our opinion. The question we are posing to investors is as follows: Is it possible that the announcement of the FDA-approved vaccines and the talk of additional financial stimulus helped claw some of 2021's potential gains back into 2020? When you factor in the slow launch of the vaccines, it is worth a thought. Having said all of that, we are still optimistic for a prosperous year in the equities markets in 2021.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 12/31/20 at 0.92%, up eight basis points (bps) from its 0.84% close on 11/30/20, according to Bloomberg. The yield stood 124 bps below its 2.16% average for the 10-year period ended 12/31/20. Bond investors enjoyed another year of solid performance in 2020. The COVID-19 pandemic coupled with the accommodating monetary policy from the Federal Reserve ("Fed") kept a lid on interest rates and bond yields, while the second-half recovery in the U.S. economy helped bolster the credit markets, in our opinion. Brian Wesbury sees inflation climbing modestly above the Fed's 2.00% target in 2021 and believes that the yield on the 10-year T-note will close the year at around 1.40%. Neither reflects a dramatic change from the current climate.

Takeaway

Keep an eye on the relative value of the U.S. dollar. After appreciating 15.49% from 3/26/18 (Trump administration launched trade tariff program on 3/8/18) through 3/20/20, the U.S. Dollar Index (DXY) declined by 12.53% from 3/20/20 through 12/31/20, according to Bloomberg. It stood at a reading of 89.94 on 12/31/20, just below its 20-year average reading of 89.99. Citigroup estimates that the dollar could decline by as much as 20% in 2021, providing the vaccines get distributed, according to Bloomberg. It noted that investors could rotate out of U.S. assets into international assets if growth overseas accelerates faster than in the U.S. The last time the U.S. Dollar Index was below a reading of 75 was in October 2011.

Data as of 12/31/20

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	3756.07	12/31/2020	1099.23	10/3/2011	3756.07	0.00%	18.39%	1.57%
S&P 500 Growth	2577.22	12/31/2020	598.65	10/3/2011	2577.22	0.00%	33.46%	0.78%
S&P 500 Value	1301.02	1/17/2020	494.97	10/3/2011	1267.18	-2.60%	1.35%	2.46%
S&P MidCap 400	2315.36	12/24/2020	744.98	10/3/2011	2306.62	-0.38%	13.65%	1.47%
S&P MidCap 400 Growth	1182.39	12/24/2020	345.40	10/3/2011	1173.62	-0.74%	22.77%	0.84%
S&P MidCap 400 Value	693.43	12/28/2020	252.35	10/3/2011	692.56	-0.13%	3.71%	2.12%
S&P 100	1720.50	12/31/2020	500.09	10/3/2011	1720.50	0.00%	21.52%	1.55%
DJIA	30606.48	12/31/2020	10655.30	10/3/2011	30606.48	0.00%	9.72%	2.02%
NASDAQ 100	12888.28	12/31/2020	2038.22	8/19/2011	12888.28	0.00%	48.88%	0.76%
Russell 2000	2007.10	12/23/2020	609.49	10/3/2011	1974.86	-1.61%	19.93%	1.19%
Russell 2000 Growth	1497.18	12/23/2020	350.15	10/3/2011	1455.25	-2.80%	34.61%	0.45%
Russell 2000 Value	2049.42	8/22/2018	804.33	10/3/2011	1972.38	-3.76%	4.60%	1.99%
Russell 3000	2248.44	12/31/2020	644.45	10/3/2011	2248.44	0.00%	20.88%	1.48%
MSCI World Net (ex U.S.) (USD)	6956.43	12/30/2020	3369.63	10/4/2011	6912.35	-0.63%	7.59%	2.44%
MSCI Emerging Markets Net (USD)	624.13	12/31/2020	296.25	1/21/2016	624.13	0.00%	18.31%	1.89%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	22903.78	-47.49%	-20.18%	2.13%
RTS/Russia (USD)	2123.56	4/8/2011	628.41	1/20/2016	1387.46	-34.66%	-4.75%	5.38%
S&P BSE 500/India (USD)	250.50	12/31/2020	95.89	9/3/2013	250.50	0.00%	15.44%	1.08%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	532.09	-36.05%	24.34%	2.04%
KOSPI/South Korea (USD)	2.64	12/30/2020	1.16	3/19/2020	2.64	0.00%	39.77%	1.36%
Hang Seng (USD)	4241.01	1/26/2018	2087.46	10/4/2011	3512.02	-17.19%	0.22%	2.44%
MSCI Euro (USD)	1544.35	1/26/2018	814.62	6/1/2012	1462.47	-5.30%	7.28%	2.15%
S&P 500 Consumer Discretionary	1302.76	12/30/2020	267.58	10/3/2011	1302.56	-0.02%	33.30%	0.68%
S&P 500 Consumer Staples	698.69	11/16/2020	293.02	8/10/2011	696.32	-0.34%	10.75%	2.81%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	286.14	-61.18%	-33.68%	5.85%
S&P 500 Utilities	359.13	2/18/2020	152.93	8/8/2011	319.07	-11.15%	0.52%	3.43%
S&P 500 Financials	516.21	1/2/2020	151.85	10/3/2011	490.43	-4.99%	-1.76%	2.11%
S&P 500 Banks	383.30	1/2/2020	105.73	8/22/2011	316.13	-17.52%	-13.75%	3.05%
FTSE NAREIT All Equity REITs	835.20	2/14/2020	371.48	10/3/2011	713.86	-14.53%	-5.08%	3.61%
S&P 500 Health Care	1324.01	12/31/2020	346.38	8/10/2011	1324.01	0.00%	13.45%	1.59%
S&P 500 Pharmaceuticals	782.38	12/9/2020	282.86	8/10/2011	779.99	-0.31%	7.53%	2.63%
NYSE Arca Biotechnology	6142.97	7/20/2020	1001.60	11/25/2011	5739.02	-6.58%	13.57%	0.28%
S&P 500 Information Technology	2296.98	12/28/2020	357.71	8/19/2011	2291.28	-0.25%	43.89%	1.02%
Philadelphia Semiconductor	2816.27	12/8/2020	326.32	8/19/2011	2795.50	-0.74%	53.67%	1.26%
S&P 500 Telecom Services	222.35	12/7/2020	115.22	8/8/2011	221.92	-0.19%	23.61%	0.95%
S&P 500 Industrials	756.30	11/24/2020	245.04	10/3/2011	749.54	-0.89%	11.05%	1.64%
S&P 500 Materials	455.71	12/31/2020	179.78	10/3/2011	455.71	0.00%	20.73%	1.81%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	144.19	-37.02%	36.04%	0.77%
Refinitiv/CC CRB Excess Return	370.56	4/29/2011	106.29	4/21/2020	167.80	-54.72%	-9.68%	N/A
ICE BofA Perpetual Preferred	308.97	12/31/2020	146.25	8/8/2011	308.97	0.00%	7.30%	4.03%
ICE BofA U.S. High Yield Constrained	495.38	12/31/2020	250.64	10/4/2011	495.38	0.00%	6.07%	5.00%

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